DOCUMENT RESUME

ED 335 785 EA 023 267

TITLE	Funding Education under the Quality Education Act of 1990.
INSTITUTION	New Jersey State Dept. of Education, Trenton.
REPORT NO	PTM-1000-79
PUB DATE	Jun 91
NOTE	38p.
PUB TYPE	Legal/Legislative/Regulatory Materials (090) -- Guides - Non-Classroom Use (055)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	Categorical Aid; *Educational Equity (Finance); *Educational Finance; Elementary Secondary Education; Equalization Aid; *Finance Reform; Fiscal Capacity; *Foundation Programs; *State Aid; State Legislation; State School District Relationship
IDENTIFIERS	*New Jersey; *Quality Education Act 1990 (New Jersey)

ABSTRACT

New Jersey's school funding reform initiative, the Quality Education Act of 1990 and its 1991 amendments, are described in this booklet. The amendments attempt to equalize the tax burden of all districts, provide property relief, and impose stricter spending limitations. In the new foundation funding system, the state provides aid based on a district's capacity to meet the state-determined, statewide standard of per-pupil expenditures. The distribution of each of the types of state education aid are described. The first section provides information on state foundation aid, such as calculation of the maximum foundation budget, district local fair share, and state foundation aid; on spending limits; and on special needs districts. State aid for other costs is described in the next section, which includes categorical aid for special and bilingual education, at-risk students, and county vocational schools; state aid for transportation, pension and social security, and debt service; and transition aid. Appendices describe the calculation of state education aid for a sample district, special needs districts, special education categories, state aid totals for 1991-92, and the impact of Quality Education Act amendments. A glossary is included. (LMI)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

EA

ED335785

FUNDING EDUCATION UNDER THE

QUALITY EDUCATION ACT

OF 1990

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

✓ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

L. F. Price

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

JUNE 1991

EA 023 267

BEST COPY AVAILABLE

STATE BOARD OF EDUCATION

JAMES A. JONES President	Teaneck
ROBERT A. WOODRUFF Vice President	Elmer
S. DAVID BRANDT	Cherry Hill
RONALD K. BUTCHER	Pitman
MAUD DAHME	Annandale
BETTY A. DEAN	East Orange
ANNE S. DILLMAN	Perth Amboy
BONNIE GREEN	Bargaintown
CARLOS HERNANDEZ	Jersey City
ALICE A. HOLZAPFEL	Elizabeth
JOHN T. KLAGHOLZ	Seaside Park
NANCY SCHAENEN	Madison
DEBORAH P. WOLFE Representing the State Board of Higher Education	Cranford

John Ellis, Commissioner of Education
Secretary

Edward T. Goldberg, Chancellor of Higher Education
Ex-Officio

Funding Education under the Quality Education Act of 1990

John Ellis
Commissioner

Robert J. Swissler
Assistant Commissioner
Division of Finance

New Jersey Department of Education
225 West State Street
CN 500
Trenton, N.J. 08625

June 1991

PTM 1000.79

TABLE OF CONTENTS

	Page
Forward	i
Historical Overview	1
Introduction	2
State Foundation Aid	2
The Maximum Foundation Budget	3
Calculating the Maximum Foundation Budget	4
Determining a District's Local Fair Share	5
Calculating a District's State Foundation Aid	5
Excess Surplus	5
Local Leeway	6
Spending Limitations	6
Budget Caps	6
Cap Waivers	7
Limit on Foundation Aid Increases	8
Increases in State Aid	8
County Vocational and County Special Services School Districts	8
Special Needs Districts	8
Criteria	9
Local Fair Share	9
Escrow	9
Equity Spending Cap	9
State Aid for Other Costs	10
Categorical Aid	10
Special Education Aid	10
Bilingual Education Aid	11
At-Risk Aid	11
County Vocational Aid	12
Other State Aid	12
Pension and Social Security Aid	12
Transportation Aid	12
Debt Service Aid	13
Transition Aid	13
Appendicies	
A. Calculation of State Education Aid for a Sample District	15
B. Special Needs Districts	27
C. Special Education Categories	29
D. State Aid Totals for 1991-92	31
E. Major Impact of Amendments to the QEA	33
Glossary	35

FORWARD

While many states are struggling with the question of how to achieve educational equity as well as educational quality, New Jersey is implementing its own major school funding reform under the Quality Education Act of 1990.

In July 1990, Governor Florio and the state legislature took a courageous stand by enacting this new law which distributes education aid more fairly to enable all districts to provide a thorough and efficient education.

In March1991 the law was amended to ensure a fairer tax burden for all districts, provide much needed property tax relief, and impose stricter spending limitations.

The Department of Education's Division of Finance has designed this booklet to help you understand this important new law. Recently revised to reflect the changes in the amended law, this booklet explains how the new funding system works.

Some of you who will read this will be directly involved in the implementation of the law. Others will want to know how it will affect your community or schools. Ultimately all New Jerseyans are touched by our educational system and the way it is funded.

Each school board member, administrator, teacher, parent and citizen has a critical role in improving our schools. By working together, we can assure a smooth and successful transition to this new funding system and guarantee a quality education for all children.

HISTORICAL OVERVIEW

The Quality Education Act of 1990 represents the culmination of more than a decade of effort by many in education to reform New Jersey's school funding system and achieve a greater level of equity than has been provided before. Signed into law by Governor Jim Florio on July 3, 1990, the Quality Education Act establishes a new formula for distributing state education aid to New Jersey school districts. Its intent is to enhance educational opportunities for New Jersey's children by guaranteeing all school districts an adequate level of state aid.

In March 1991, the Quality Education Act was amended to address key areas of concern and to ease the property tax burden on New Jersey citizens.

The amended law provides over $4.2 billion in state school aid and sets up a $360 million municipal aid program aimed at lowering property taxes across the state. In addition, the amended law establishes a discretionary state aid fund of $25 million to be used by the Commissioner of Education for supplemental aid to ensure the continuation of educational quality during the transition to the new aid program.

The new law was originally designed in anticipation of the New Jersey Supreme Court ruling in the case of **Abbott v. Burke**. The plaintiffs in this case, representing children from four urban school districts, charged that state school funding did not comply with the constitutional provision that all children have a right to a "thorough and efficient system of free public schools." The court's landmark decision in June 1990 concluded that the existing system of funding public schools did not provide enough money to poor urban school districts and ordered that spending parity must be ensured between poor urban districts and the most affluent districts.

The Quality Education Act was designed to address the court mandate that every student's education be supported by similar educational resources. New Jersey's new funding system, known as a foundation funding program, does just that. In a foundation funding program, the state determines a basic amount to be spent on every child's education, regardless of the fiscal capacity of the district in which the child resides. The state then provides education aid based on a district's capacity to raise money to support its schools. This capacity is determined based on property wealth and aggregate income, a major change from the previous funding formula which considered property wealth only. The new law also designates 30 urban school districts as having special needs and provides them with additional state aid to address their needs.

New Jersey is now implementing this new funding system with great expectations for achieving educational equity, educational quality, immediate property tax relief, greater accountability, and ultimately, world class schools for all our children.

INTRODUCTION

In New Jersey, each local board of education is responsible for setting its budget, the spending plan for educating the children in its community. The budget is financed primarily through local taxes and state education aid. The Quality Education Act of 1990 establishes a new funding system for the distribution of state education aid to New Jersey's 592 local districts. The various types of state aid include:

(1) state foundation aid
(2) categorical aid (including aid for special education, bilingual education, at-risk students, and county vocational schools)
(3) other state aid for transportation, pension and social security costs, debt service, and
(4) transition aid

The distribution of each of these types of state education aid will be described in this booklet.

STATE FOUNDATION AID

State foundation aid is money distributed to local districts to help support local operating expenses such as:

- teacher salaries
- administrative costs
- textbooks and supplies
- pensions*
- social security*
- support services
- capital outlay
- maintenance
- utilities
- adult high schools
- out of district tuition

*Under the amended QEA, the state will pay the employers' share of local pension and social security obligations through a separate aid program for the 1991-92 and 1992-93 school years. Notwithstanding future changes, in 1993-94 and beyond, these costs will become a regular part of the maximum foundation budget.

THE MAXIMUM FOUNDATION BUDGET

In order to calculate how much state foundation aid a district receives, the state first determines an appropriate overall spending level, called a **maximum foundation budget**, for each district. This is the amount of money which should be sufficient to support the expenses previously described.

The maximum foundation budget is based on a district's enrollment and a basic amount of money determined by the state as necessary to provide a quality education for one elementary school student, called the **foundation amount**. As amended, the Quality Education Act sets this foundation amount for the 1991-92 school year at **$6,640*** per student.

The Quality Education Act designates 30 urban districts as "special needs districts." The basic foundation amount is increased by five percent per student in these districts so that they may effectively meet their students' needs. See page 8 for a full description of special needs districts.

Each year, the basic foundation amount will increase by the average annual percentage increase in state per capita personal income (PCI) over the four fiscal years prior to the prebudget year.

Because costs vary for educating students in different grades and programs, the foundation amount is multiplied by the following foundation weights to compensate for these differences:

Grade and Program Category	Foundation Weight	Weighted Foundation Amounts 1991-92
Full-Day Kindergarten or preschool	1.00	$ 6,640
Half-Day Kindergarten or preschool	0.50	3,320
Grades 1-5	1.00	6,640
Grades 6-8	1.10	7,304
Grades 9-12	1.33	8,831
Adult High School	0.50	3,320
County Vocational School	1.33**	8,831

These weighted foundation amounts are multiplied by a district's **resident enrollment** to calculate its maximum foundation budget. A district's resident enrollment reflects the number of students present on the last school day prior to October 16 of the previous year.

---

* Note that the foundation amount was reduced from $6,835 under the original QEA.

** The county vocational school weight is applicable only for county vocational school districts. County vocational schools will now generate their own state foundation aid; therefore these costs are no longer included in local district budgets. County vocational students will also generate their own separate county vocational categorical aid. Special education students attending county vocational schools have a foundation weight of 1.0 and also generate special education aid.

Also included in a district's maximum foundation budget is a **facilities component**, which provides funds for school facilities maintenance and capital outlay. This amount is **$107** per student actually enrolled in the public schools, called the district's **adjusted resident enrollment**. The facilities component, which will increase each year according to growth in the **PCI**, is also added to calculate the maximum foundation budget.

Because the state will pay each district's share of pension and social security costs in 1991-92 and 1992-93, the maximum foundation budget is reduced by the amount of state pension and social security aid paid on behalf of a district's resident students in these years, as described on page 12. This maximum foundation budget (adjusted) is the amount on which a district will generate state foundation aid.

CALCULATING THE MAXIMUM FOUNDATION BUDGET

To calculate a district's maximum foundation budget:

1. Determine the district's base foundation budget:

   a. resident enrollment in each grade or program category x appropriate foundation weight = **foundation aid units**

   b. foundation aid units x foundation amount ($6,640) = **base foundation budget**

2. Determine the district's facilities component:

   adjusted resident enrollment x $107 = **facilities component**

3. Determine the maximum foundation budget:

   base foundation budget + facilities component = **maximum foundation budget**

4. Adjust the maximum foundation budget to reflect state payment of pension and social security aid (for 1991-92 and 1992-93 only)

   maximum foundation budget – Resident pupil pension and social security aid = **Maximum foundation budget (adjusted)**

Note that full-time county vocational and special services school district students are **not included** in the resident enrollment or adjusted resident enrollment of local districts because these county districts will take their own enrollment counts and generate their own foundation and categorical aids.

(See Appendix A for the calculation of the maximum foundation budget for a sample district.)

DETERMINING A DISTRICT'S LOCAL FAIR SHARE

The next step in determining how much foundation aid a district receives is calculating the amount of money which a district can raise through local taxes to support its maximum foundation budget. This amount is called a district's **local fair share**.

The state calculates a district's local fair share based on its property wealth and aggregate income; the two factors are weighted equally.

For all districts, local fair share is calculated according to the following equation:

.5 x (district equalized valuation x property value multiplier)
\+ .5 x (district income x income multiplier)
= Local fair share

The property value and income multipliers are annually determined by the state. The 1991-92 property value multiplier is .0116 and the income multiplier is .0447. Also, an adjustment will be made in districts where income levels significantly exceed state average property values. (See Appendix A for the calculation of local fair share for a sample district.)

Beginning with the 1992-93 school year, local fair share for special needs districts is calculated differently as described on page 9.

Local fair share for county school districts is based on county-wide equalized valuation and county-wide district income.

CALCULATING A DISTRICT'S STATE FOUNDATION AID

A district's state foundation aid is the difference between a district's maximum foundation budget and its local fair share, with a deduction for excess surplus, or savings.

Excess Surplus

In an effort to promote property tax relief, the QEA discourages local school districts from holding a large surplus, or savings. In 1991-92 most districts are required to appropriate all surplus in excess of five percent. This will ease the local tax burden and ensure that districts reduce surplus.

Beginning in 1992-93, foundation aid will be reduced in any district which retains surplus which exceeds 7.5 percent of the district's **net budget**. The net budget includes foundation aid, all categorical aid, transition aid, transportation aid and tax levies for **current expense and capital outlay**.

An exception to these restrictions is a district which currently has a surplus that exceeds 10 percent of its net budget. Such a district is required to develop a surplus reduction plan which will reduce free balance to 7.5 percent or less by the end of the 1993-94 school year.

Beginning in 1992-93, state foundation aid is calculated as follows:

Maximum foundation budget (adjusted in 1991-92 and 1992-93)	–	Local fair share	–	Excess surplus	=	State foundation aid

LOCAL LEEWAY

The Quality Education Act allows **local leeway** in determining the amount of a district's budget.

Most districts are not mandated to spend at the level of the maximum foundation budget or tax up to the local fair share amount determined by the state. Originally under the QEA, state foundation aid would have been reduced if a district did not spend up to its maximum foundation budget or tax up to the local fair share. However, the law was amended to eliminate the reduction in state foundation aid for districts which spend below the maximum foundation budget or local fair share.

Districts may also spend beyond the amount of the maximum foundation budget by taxing themselves at a higher rate, but this extra spending will not generate any additional state aid.

SPENDING LIMITATIONS

District spending is subject to certain limitations including caps on budget growth and limits on foundation aid increases.

Budget Caps

The state restricts districts' budget growth to limit annual increases in local property taxes, promote cost effectiveness, and control the overall increases in school spending. Limits on budget growth are determined through **budget caps**.

Budget caps are percentages used to calculate the maximum amount a district is permitted to increase its budget each year.

Under the Quality Education Act, a district's budget cap is applied to its **net budget** to calculate the maximum allowable yearly increase. Because the net budget includes foundation aid, all categorical aid, transition aid, transportation aid and tax levies for current expense and capital outlay, a larger portion of district spending is capped than in the original QEA.

All districts are subject to budget caps. Districts are allowed annual net budget increases between 7.5 and 9 percent. Special needs districts, however, are subject to an "equity spending cap," which allows these districts to increase annual spending at a rate that will enable them to achieve spending parity with the state's wealthiest districts by 1995-96. See page 8 for more on special needs districts.

The budget cap formula for nonspecial needs districts is:

PNB = (PCI x PR) x PBY

where:

PNB = maximum permissible increase in the net budget for the budget year
PCI = growth in per capita income (7.74 percent for 1991-92)
PR = 1.7442 - (.6460 x BR); however PR shall not be greater than 1.1628 or less than .9690
BR = the ratio of the district's local levy budget for the prebudget year to the district's maximum foundation budget for the budget year.
PBY = net budget for the prebudget year

This formula results in maximum permissible increases in the net budget of 7.5 to 9 percent for non-special needs districts. (See page 19 for the calculation of a sample district's budget cap.)

Cap Waivers

A district may spend beyond the amount permitted by its budget cap only if it acquires permission to increase its net budget beyond the spending level calculated by the budget cap formula. This is called a **cap waiver**. Districts may obtain a cap waiver from either:

(1) the state's Commissioner of Education; or

(2) the voters in school districts with elected school boards of education (Type II) or the board of school estimate in districts with appointed boards of education (Type I).

Under the Quality Education Act as amended, the Commissioner may only consider granting a district's request for a cap waiver under four circumstances:

(1) the district has had an annual average increase greater than two percent in its resident enrollment for the two prior years;

(2) the district had an increase greater than five percent in its special education costs for the prior year;

(3) the district has entered into a lease purchase agreement during the 1990-91 school year, but prior to April 1, 1991; or

(4) the district sends pupils and pays tuition to a special needs district.

There are no other circumstances under which the Commissioner may approve a cap waiver. The Commissioner's decision on a cap waiver request may be appealed to the State Board of Education.

The QEA also allows the voters or board of school estimate to approve spending beyond the budget cap for other reasons. The question must be put to voters in the annual school election in a Type II school district or the board of school estimate in a Type I school district. If the voters or board of school estimate disapprove the request to exceed the budget cap, this is final and not subject to appeal under the QEA as amended.

Limit on Yearly Foundation Aid Increases

The Quality Education Act as amended strictly limits how much foundation aid may increase each year. This differs from a budget cap because it limits foundation aid, not the overall budget.

Increases in State Aid

In order to sufficiently fund the Quality Education Act each year, the annual increases in state aid for education are linked to the annual increases in the state revenues which fund the aid program. The amount of increase is based on increases in the state's per capita income which also effects income tax receipts.

The formula used to calculate the annual maximum state school aid amount is based on what is called the "state school aid inflator." For 1991-92 the school aid inflator is $4.25 billion.

Beginning in 1992-93, the maximum state school aid amount will be determined by adding 80 percent of the increase in the state school aid inflator and the prior year's maximum state school aid amount.

However, beginning in 1993-94, the law allows the Governor to increase the maximum state school aid amount annually by the PCI percentage plus one percent, which is identical to the annual increase contained in the original QEA.

COUNTY VOCATIONAL AND COUNTY SPECIAL SERVICES SCHOOL DISTRICTS

Under the QEA, New Jersey's 20 county vocational school districts and seven county special services school districts will generate their own state foundation aid and other types of state aid, as do all other districts. County special services school districts however, do not generate aid to cover transportation costs. County vocational school districts will become eligible for transportation aid in 1992-93.

These districts may still receive tuition from the sending districts to make up the difference between their revenues and the actual costs of educating their students.

They may also continue to receive funding from their county governments and may charge non-resident fees to pupils from outside the county equal to the amount of the per pupil support provided by the county government.

A new revenue source under the QEA for county vocational school districts is county vocational education program aid, which is described on page 12.

SPECIAL NEEDS DISTRICTS

In response to the State Supreme Court's determination that low-wealth urban districts have special needs which require additional spending, the Quality Education Act designates 30 school districts as special needs districts. Foundation amounts in these districts are five percent higher for each grade level than for other districts.

Criteria

A district is determined to be a special needs district if it is either (1) an urban district in the two lowest socioeconomic groups under the Department of Education's District Classification System (district factor groups A or B) or (2) if 15 percent of its students are eligible for Aid to Families with Dependent Children and at least 1,000 such students are enrolled in the district. A district with property values which are twice the state average may not be considered a special needs district. (See Appendix B for a list of the 30 special needs districts.)

The newly-created Division of Urban Education will provide special needs districts with extensive technical assistance to ensure that the additional money will be used to improve educational opportunities for children. Each district must prepare an educational improvement plan (EIP) to be approved by the Commissioner. Special needs districts will also be subject to comprehensive state monitoring, as are all other districts.

Local Fair Share

Local fair share will be be determined differently for special needs districts. In 1991-92, the local fair share for these districts will be calculated in the same manner as for all other districts. However, special needs districts may tax at their local fair share amount or their 1990-91 tax levy, whichever is less. This option will apply until 1995-96, when special needs districts will be required to tax at the local fair share amount determined by the state.

Beginning in 1992-93, the local fair share amount for special needs districts will be the lesser amount of local fair share calculated in one of two ways:

- in the same manner as for all other districts, or
- the product of the district's equalized valuation and the state average equalized school tax rate (adjusted by a multiplier established in the law).

  The multiplier which is applied to the state average equalized valuation will decrease each year through 1995-96. By 1996-97 special needs districts will tax at the state average rate.

Escrow

In 1991-92 and 1992-93, the Commissioner or the board of education of a special needs district (with the Commissioner's approval) may place up to 20 percent of the district's additional state aid in a special escrow account. In order to withdraw funds from the account, a special needs district must seek the Commissioner's approval, providing a plan for its use for operating expenses or facilities needs. A district placing state aid in an escrow account will not experience a deduction in state aid when the funds are expended.

Equity Spending Cap

In order to fulfill the Supreme Court mandate that spending parity with the wealthiest districts be achieved by 1995-96, budget caps for special needs districts are calculated differently from other districts. Each year through 1995-96, the Commissioner will calculate an **"equity spending cap"** for each special needs district which assures that the required spending parity can be achieved. In 1991-92, equity spending caps range up to 20 percent.

STATE AID FOR OTHER COSTS

Local districts also receive state aid for other costs which are not included in the maximum foundation budget. These are: categorical aid, transportation aid, pension and social security aid, debt service aid, and transition aid.

CATEGORICAL AID

Categorical aid is provided to districts to cover the excess cost of educating students who need educational programs or services over and above those provided in regular programs. Categorical aid programs include special education, bilingual education, programs for at-risk pupils, and county vocational education programs.

Categorical aid is provided in addition to any foundation aid which students in these programs may generate. Because categorical programs are not included in the maximum foundation budget, all districts receive categorical aid for students in these programs, regardless of district wealth.

In order to determine how much additional money is needed to support these programs, the state studied the actual costs involved in providing these programs and services. Based on this study, the state developed **cost factors** which reflect the average excess cost of each program. These cost factors are applied to the foundation amount **($6,835)** used to calculate the amount of categorical aid local districts will receive for each student in categorical programs. Note that this foundation amount for categorical aid ($6,835) is different than the $6,640 amount used to calculate the maximum foundation budget. As with other weights in the Quality Education Act, the state will continue to study these cost factors on an ongoing basis, and the Governor may recommend revisions to them every two years.

Special Education Aid

Special education aid under the Quality Education Act is provided to all districts for the additional cost of educating students with handicaps.

Special education aid is calculated by multiplying the number of students enrolled in each of the state's 25 special education categories by the cost factor for each category and the foundation amount for categorical aid ($6,835). Total special education aid is the sum over all special education categories.

Special education cost factors have been revised in the Quality Education Act to include new categories for autistic, county vocational, county special services and regional day school students. Amendments to the QEA also added a new cost factor for full-day preschool handicapped pupils. (See Appendix C for a list of special education categories and corresponding cost factors. See Appendix A for the calculation of special education aid for a sample district.)

Bilingual Education Aid

Bilingual education aid under the Quality Education Act is provided to all districts for the additional costs involved in educating children with limited English proficiency. The cost factor for bilingual education programs is 0.18.

To determine the amount of a district's bilingual education aid, the state multiplies the number of students enrolled in bilingual education programs by the foundation amount for categorical aid ($6,835) and the cost factor for bilingual education (0.18).

At-Risk Aid

At-risk aid provides additional funds to districts to help reduce obstacles to academic success for students whose socioeconomic backgrounds may present special challenges. Aid for at-risk pupils replaces compensatory education aid, which was provided to districts based on the number of students who failed the basic skills test. Aid for at-risk pupils is based on family income, as determined by eligibility for free meals or free milk.

The purpose of aid for at-risk pupils is to improve low-income students' opportunities for academic success by providing additional funds to school districts with large concentrations of low-income students. This will help districts meet the needs of their at-risk students through preventive programs, remedial programs or other measures that will enhance the education of students.

Aid for at-risk pupils is calculated similarly to aid for special education and bilingual education, except that at-risk students are weighted by grade category to account for the varying excess cost in those grade categories:

Grade Category	At-risk cost factor	Additional Aid per Student
Preschool-5	0.151	$1,032
6-8	0.168	$1,148
9-12	0.202	$1,380

Aid for preschool and kindergarten pupils attending half-day programs is calculated by reducing the appropriate cost factor by one-half.

At-risk aid is determined by multiplying the number of students eligible for free meals or free milk in each grade category by the appropriate weight.

Pupils eligible for free meals/milk in each grade category	X	At-risk cost factor for the appropriate grade category	X	Foundation amount for categorical programs ($6,835)	=	At-risk aid

In order to hold districts harmless from any loss of aid under the new at-risk aid program, in 1991-92 and 1992-93 the QEA allows districts to receive aid in the amount of the at-risk aid calculation or the 1990-91 compensatory education aid amount, whichever is greater.

(See Appendix A for calculation of at-risk aid for a sample district.)

County Vocational Aid

County vocational aid is a new categorical aid under the Quality Education Act which is provided to county vocational school districts for the additional cost of educating students in vocational education programs. This aid is provided in addition to any foundation aid a pupil generates.

The QEA contains cost factors which reflect the average excess costs of educating students in secondary and full-time post-secondary vocational education programs. The cost factor for secondary students is 0.26. For post-secondary students, the cost factor is 0.13. In the 1991-92 school year, all students, both secondary and post-secondary, will be weighted at the secondary student cost factor of 0.26. Aid for students attending shared-time secondary programs will be determined by reducing the weight by one-half.

County vocational education program aid is calculated by multiplying the number of students enrolled in the secondary and post-secondary programs by the cost factors for each program and the state foundation amount for categorical aid ($6,835).

OTHER STATE AID

Districts may also receive a number of other types of state aid for local education costs, including pensions and social security, transportation and debt service.

Pension and Social Security Aid

Pension and social security aid is a separate aid program which covers the cost of local districts' employer contributions to the Teachers Pension and Annuity Fund (TPAF) and social security system (FICA) in 1991-92 and 1992-93. Only TPAF members generate this type of aid.

Originally, the Quality Education Act shifted responsibility for the payment of these costs from the state to local school districts. However, as amended, the QEA provides districts with pension and social security aid to cover the full amount of these costs through 1992-93. Without further legislative action, responsibility for these costs will be shifted to districts in 1993-94.

As described on page 4, in 1991-92 and 1992-93, each district's maximum foundation budget will be reduced by the amount of pension and social security aid paid on behalf of its resident students. For foundation aid districts this will result in a reduction in foundation aid equal to the amount of pension and social security aid, so as not to double fund districts for these costs.

Transportation Aid

The state provides **transportation aid** to local districts to help support the cost of transporting students to and from school. The Quality Education Act established a new formula for providing transportation aid based on a state-established dollar amount per pupil. This aid amount is calculated according to the number of students eligible for transportation and the average number of miles traveled in each district. Pupils who are eligible for transportation aid include elementary (K-8) school pupils who live more than two miles from their school, secondary (9-12) school pupils who live more than two-and-one-half miles from their school and all special education pupils requiring transportation services. State transportation aid is also paid (up to a maximum of $675 in 1991-92) for students attending private, non-profit schools within 20 miles of the student's home.

Under the QEA, all districts, except county special services school districts and county vocational school districts, are eligible to receive transportation aid. However, county vocational school districts will be eligible for transportation aid beginning with the 1992-93 school year.

Because transportation costs vary by geographic area, density, and district size, each county is categorized as high cost (exceeds the statewide average cost by more than 15%), very high cost (exceeds the statewide cost by more than 85%), or "other" to account for cost differences. High cost counties are: Essex, Hudson, Middlesex, Passaic and Union. The only very high cost county is Bergen.

Total transportation aid is calculated by adding transportation aid for regular pupils and transportation aid for special education pupils, with an adjustment for density, district size, and cost of living in each county. Transportation aid will increase at the same rate as the consumer price index (CPI) for the New York City and Philadelphia areas. If a district spends efficiently, it is expected that the state aid should cover 100 percent of approved transportation costs in the current year.

(See Appendix A for a calculation of transportation aid for a sample district.)

Debt Service Aid

The state provides **debt service aid** to local districts for the repayment of school bonds. Debt service aid is calculated through a separate formula, as it was before the enactment of the QEA, and is based upon district wealth. However, debt service aid is now funded on a current-year basis. This means that districts which undertake construction projects will not have to wait until the following year to receive debt service aid for these projects.

Debt service aid is calculated by multiplying the district's net debt service budget by its **state-funded share**, which is the percentage of foundation aid a district receives based on its maximum foundation budget.

(See Appendix A for a calculation of debt-service aid for a sample district.)

TRANSITION AID

The last type of state aid local districts may receive is **transition aid**. Those districts which would receive less total state aid under the Quality Education Act will receive transition aid to phase in the impact of the new law over four years. This aid guarantees that all districts will receive more total state aid in 1991-92 than they did in 1990-91.

Transition aid will make up the difference between a district's 1990-91 base state aid amount, inflated by 6.5 percent, and its comparable 1991-92 aid amount. Although districts will receive the full amount of the difference in 1991-92, transition aid will be phased out at a rate of 25 percent each year, so that by 1995-96, transition aid will be eliminated.

Transition aid is calculated as follows:

Transition aid = Transition aid factor x (Base aid - aid)

Transition aid factors are:

1991-92	1.00
1992-93	0.75
1993-94	0.50
1994-95	0.25
1995-96 and beyond	0.00

Districts which receive foundation aid may also generate transition aid.

(See Appendix A for a calculation of transition aid for a sample district.)

APPENDIX A

CALCULATION OF STATE EDUCATION AID FOR A SAMPLE DISTRICT

This calculation demonstrates how foundation aid, categorical aid, other state aid, and transition aid are calculated for a hypothetical district. The calculation is divided into five parts:

PART I CALCULATION OF FOUNDATION AID

A. Maximum Foundation Budget
B. Local Fair Share
C. Foundation Aid
D. Budget Cap

PART II CALCULATION OF CATEGORICAL AID

A. Special Education Aid
B. Bilingual Education Aid
C. At-risk Aid
D. County Vocational Aid

PART III CALCULATION OF OTHER STATE AID

A. Pension and Social Security Aid
B. Transportation Aid
C. Debt Service Aid

PART IV TRANSITION AID

PART V TOTAL STATE AID

PART I. CALCULATION OF FOUNDATION AID

A. Maximum Foundation Budget
B. Local Fair Share
C. Foundation Aid
D. Budget Cap

A. Maximum Foundation Budget

1. Determine the district's base foundation budget:

   a. resident enrollment in each grade or program category x appropriate foundation weight = foundation aid units

   b. foundation aid units x foundation amount ($6,640) = base foundation budget

2. Determine the district's facilities component:

   adjusted resident enrollment x $107 = facilities component

3. Determine the maximum foundation budget:

   base foundation budget + facilities component = maximum foundation budget

4. Adjust the maximum foundation budget to reflect state payment of pension and social security aid (for 1991-92 and 1992-93 only)

   maximum foundation budget – pension and social security aid = Maximum foundation budget (adjusted)

Assume a district has 1410 pupils and a pension and social security obligation of $1,000,000:

- 1300 pupils in grades K-12:
  - 100 in kindergarten (half-day)
  - 500 in grades 1-5
  - 300 in grades 6-8
  - 400 in grades 9-12
- 5 shared-time county vocational school pupils
- 95 pupils in public school special education classes
- 10 pupils in approved private school special education classes.

1. **Calculate the base foundation budget**

a). **By Grade Category**	**Number of Pupils**		**Weight**		**Foundation Aid Units**
Kindergarten (half-day)	100	x	0.50	=	50.0
Grades 1-5	500	x	1.00	=	500.0
Grades 6-8	300	x	1.10	=	330.0
Shared time 9-12 (attending county vocational school district)*	(5 x 0.5)	x	1.33	=	3.3
Grades 9-12	400	x	1.33	=	532.0
Total					1,415.3
b) **By Program Category**					
Special Education	105	x	1.00	=	105

Add the grade and program category foundation aid units to get the total foundation aid units:

1,415 + 105 = **1,520 foundation aid units**

Now calculate the base foundation budget:

Multiply total foundation aid units by the foundation amount to calculate the base foundation budget.

1,520 x $6,640 = **$10,092,800 base foundation budget**

2. **Calculate the facilities component**

The distrtict's resident enrollment is 1407.5 and it has 10 pupils who attend private schools for the handicapped. Subtract these students from the resident enrollment to calculate the adjusted resident enrollment.

1407.5 total resident enrollment – 10 private school for handicapped students = 1397.5 adjusted resident enrollment

Now calculate the facilities component:

1397.5 students x $107 = **$149,533 facilities component**

3. **Calculate the maximum foundation budget**

Add the base foundation budget and the facilities amount:

$10,092,800 + $149,533 = **$10,242,333 maximum foundation budget**

---

* The county vocational school district also generates foundation aid for these students at the program weight for county vocational students: (5 X 0.5) X 1.33 = 3.3 foundation aid units.

4. **Adjust the maximum foundation budget** to reflect state aid for pension and social security obligation (see Part III section A):

$10,242,333 - $1,000,000 = $9,242,333 maximum foundation budget (adjusted in 1991-92 & 1992-93 only)

B. Local Fair Share

The local fair share is calculated on the basis of local fiscal capacity, which is determined by district property wealth and aggregate income. These factors are weighted equally, with the general equation as follows:

Local fair share =

.5 x (district equalized valuation x property value multiplier*)

\+ .5 x (district income x income multiplier*)

Assume that this district has $698,419,530 in total equalized valuation and $148,523,760 in aggregate income.

Calculate the local fair share

0.5 x $698,419,530	x .0116	=	$ 4,050,833
0.5 x $148,523,760	x .0447	=	$ 3,319,506
Local fair share		=	**$ 7,370,339**

C. Foundation Aid

The amount of state foundation aid a district will receive is based on the maximum foundation budget, the local fair share and the excess surplus.

Maximum foundation budget (adjusted)	–	local fair share	–	excess surplus	=	State Foundation Aid

Assume that this district has no excess surplus.

Calculate foundation aid

Maximum foundation budget (adjusted)	$ 9,242,333
Less local fair share	– 7,370,339
Less excess surplus**	– 0
Foundation aid	**$ 1,871,994**

---

* The value for the 1991-92 school year property value multiplier is 0.0116 and the value for the income multiplier is .0447.

** Excess surplus is defined as any surplus over 7.5 percent of the net budget.

D. Budget Cap

For the purpose of calculating a district's 1991-92 maximum permissible net budget, the state must determine its 1990-91 net budget and 1990-91 local levy budget. The 1990-91 net budget is the sum of the 1990-91 current expense and capital outlay budgets less deductions for:

- tuition received
- miscellaneous revenue
- federal aid
- nonpublic aid
- other miscellaneous state aid
- tax levy balance, and
- capital outlay revenue

The 1990-91 local levy budget is the 1990-91 net budget less additional deductions for:

- balances appropriated
- transportation aid
- special education aid, and
- bilingual education aid

Assume PCI = 7.74 percent

Assume that this district's 1990-91 spending is less than its 1991-92 maximum foundation budget and it has:

1990-91 Net Budget (PBY)	=	$8,200,000
1990-91 Local Levy Budget	=	$7,948,406
1991-92 Maximum Foundation Budget	=	$9,242,333

PNB = (PCI x PR) x PBY

where:

PNB = maximum permissible increase in the net budget for the budget year
PCI = growth in per capita income (7.74 percent for 1991-92)
PR = 1.7442 – (.6460 x BR); however PR shall not be greater than 1.1628 or less than .9690
BR = the ratio of the district's local levy budget for the prebudget year to the district's maximum foundation budget for the budget year.
PBY = net budget for the prebudget year

1. Calculate BR

BR = $7,948,406 (1990-91 Local Levy Budget)
$9,242,333 (1991-92 Maximum Foundation Budget)

BR = .86

2. Calculate PR

PR = 1.7442 – (.6460 x BR)
PR = 1.7442 – (.6460 x .86)
PR = 1.7442 – (.5556)
PR = 1.1886 However PR shall not be greater than 1.1628 or less than .9690
Therefore:

PR = 1.1628

3. Calculate PNB

PNB = (PCI x PR) x PBY
PNB = (.0774 x 1.1628) x $8,200,000
PNB = $738,000

The maximum permissible increase in the net budget = 9%
The 1991-92 maximum permitted net budget = PNB + PBY
Maximum permitted net budget = $738,000 + $8,200,000
Maximum permitted net budget = $8,938,000

PART II. CALCULATION OF CATEGORICAL AID

A. Special Education Aid
B. Bilingual Education Aid
C. At-Risk Aid
D. County Vocational Aid

Categorical aid is provided for the additional costs of educating special education, bilingual, at-risk and county vocational program pupils. This aid is provided in addition to any foundation aid such students may generate, without regard to district wealth.

The basic calculation for categorical aid is:

Categorical aid	= Number of pupils in each category	x	category cost factor	x	the foundation amount for categorical aid ($6,835 in 1991-92)

Note that the foundation amount ($6,835) used to calculate categorical aid differs from the foundation amount ($6,640) used to calculate foundation aid.

A. Special Education Aid

Assume the district has the following special education pupils included in its enrollment:

- 50 educable pupils (cost factor .60)
- 40 resource room pupils (cost factor .45)
- 5 emotionally disturbed pupils (cost factor 1.09)

Calculate Special Education Aid:

Educable*	50	x $6835	x 0.60	=	$ 205,050
Resource room*	40	x $6835	x 0.45	=	$ 123,030
Emotionally Disturbed*	5	x $6835	x 1.09	=	$ 37,251
Total aid for special education					**$ 365,331**

B. Bilingual Education Aid

Assume the district has 50 limited English proficient pupils (cost factor .18).

Calculate Bilingual Education Aid

50 x $6,835 x 0.18 = **$61,515 bilingual education aid**

C. At-Risk Aid

Assume the district has 130 pupils who are eligible for free meals or free milk

- 10 half-day kindergarten (cost factor 0.0755)
- 50 grades 1-5 (cost factor 0.151)
- 30 grades 6-8 (cost factor 0.168)
- 40 grades 9-12 (cost factor 0.202)

Calculate At-Risk Aid:

Kindergarten (half-day)	10	x $6,835	x 0.0755	=	$ 5,160
Grades 1-5	50	x $6,835	x 0.15	=	$ 51,604
Grades 6-8	30	x $6,835	x 0.168	=	$ 34,448
Grades 9-12	40	x $6,835	x 0.202	=	$ 55,227
Total aid for at-risk pupils					**$146,439**

This aid is provided to all districts in addition to foundation/transition aid.

D. County Vocational Aid

Although the sample district is not a county vocational district, the following is an example of how to calculate this type of aid. Assume a county vocational district has the following students included in its enrollment:

- 50 shared-time students (cost factor 0.13)
- 400 full-time secondary (cost factor 0.26)
- 75 full-time post-secondary students (cost factor 0.26**)

---

* Aid for other special education classifications is calculated similarly, using the appropriate cost factor.

** Post-secondary county vocational students are weighted at 0.26 for 1991-92. Thereafter, the weight will be 0.13.

Calculate County Vocational Aid:

Shared time	50	x $6835	x	0.13	=	$ 4,428
Full-time secondary	400	x $6835	x	0.26	=	$710,840
Full-time post-secondary	75	x $6835	x	0.26	=	$133,283
Total county vocational aid						**$888,551**

Note that the county vocational district will also generate foundation aid for these pupils. In addition, the sending districts will generate foundation aid for shared-time students.

PART III. CALCULATION OF OTHER STATE AID

A. Pension and Social Security Aid
B. Transportation Aid
C. Debt Service Aid

A. Pension and Social Security Aid

Pension and social security aid covers the district's full obligation for employer contributions to the Teachers Pension and Annuity Fund (TPAF) and social security contributions (FICA) for TPAF members in 1991-92 and 1992-93. For our sample district assume the pension obligation is $600,000 and the social security obligation is $400,000 to arrive at a total of **$1,000,000 in pension and social security aid.**

B. Transportation Aid

Three formulas are added together to calculate state aid for transportation. The first calculates aid for regular pupils using one set of constants and weights. The second calculates aid for special education pupils, using a different set of constants and weights. The third formula provides an adjustment for district density and size.

Aid 1 Regular public and nonpublic transportation = (pupils eligible for transportation x constant) + (pupils x distance x mileage weight)

Aid 2 Special education transportation = (special education pupils transported x special education constant) + (pupils x distance x special education mileage weight)

Aid 3 Density and size = total pupils transported x [(population density x density factor) + (total resident enrollment x district size multiplier)]

Total Transportation Aid = Aid 1 + Aid 2 + Aid 3

Assume that this district is not in a high or very high cost county so that the constants used are:

- 254.41 for the regular per pupil transportation constant;
- 14.19 for the regular mileage weight;
- 803.86 for the special education per pupil transportation constant; and
- 56.68 for the special education transportation mileage weight.

Further assume that:

- Total resident enrollment is 1,410 pupils.
- One-half of the regular pupils in the district (650) are transported a total of 1950 miles, which is an average of three miles each.
- All of the special education pupils (105) are transported daily an average of 10 miles.
- Population density is 2500 persons per square mile.

Calculate transportation aid

A1	=	(650 pupils x $254.41) + (650 pupils x 3 miles x $14.19)
(Regular	=	$165,367 + $27,671
Pupils)	=	$193,038
A2	=	(105 pupils x $803.86) + (105 pupils x 10 miles x $56.68)
(Special	=	$84,405 + $59,514
Education	=	$143,919
Pupils)		
A3	=	(650 + 105) x [(2500 x $0.00541) + (1410 x $0.00762)]
(Density/	=	755 x [13.525 + 10.7442]
Size	=	755 x 24.2692
Adjustment)	=	$18,323

Total transportation aid equals:

A1	$ 193,038
+A2	$ 143,919
+A3	$ 18,323
Total transportation aid	**$355,280**

C. Debt Service Aid

The calculation of state aid for debt service can be visualized as three distinct steps.

Step 1: Maximum foundation budget – local fair share = foundation aid

Step 2: Foundation aid + maximum foundation budget = state-funded share

Step 3: Net debt service budget x state share = debt service aid

A sample district has a maximum foundation budget (adjusted) of $9,242,333, a local fair share of $7,370,339 and a net debt service budget of $100,000.

Calculate debt service aid

Step 1: $9,242,333 – $7,370,339 = $1,871,994 foundation aid

Step 2: $1,871,994 + $9,242,333 = 20.25% state-funded share

Step 3: $100,000 x 20.25% = **$20,250 debt service aid**

PART IV. TRANSITION AID

Transition aid ensures that all districts will receive at least 6.5 percent more aid in 1991-92 than they received in 1990-91. Transition aid is calculated in two steps:

Step 1: 1990-91 state aid x 1.065 = base aid amount

Step 2: Transition aid factor x (the base aid amount – the 1991-92 state aid amount)

Transition aid factors are 1.00 in 1991-92, .75 in 1992-93, .50 in 1993-94, .25 in 1994-95 and 0.00 in 1995-96.

Assume the following:

- 1990-91 state aid amount = $3,500,000 (Total state aid in 1990-91 excluding the state's payment for pension and social security costs, compensatory education and debt service aid).
- Foundation aid in 1991-92 = $1,871,994,
- 1991-92 state aid amount = $2,654,120 (Total state aid in 1991-92 for foundation aid ($1,871,994) and costs outside the maximum foundation budget such as transportation, special education, bilingual education ($782,126), excluding state aid for debt service, pension and social security obligations, and at-risk pupils).

Calculate transition aid

Step 1: 1990-91 state aid $3,500,000 x 1.065 = $3,727,500 base aid amount

Step 2: 1.0 x ($3,727,500 – $2,654,120) = **$1,073,380 transition aid**

PART V. TOTAL STATE AID

Total state aid is the sum across all types of state aid:

Foundation Aid + Categorical Aid + Other State Aid + Transition Aid

To calculate Total State Aid:

1. **Calculate Total Foundation aid**

Total Foundation Aid is the amount determined as described on page 18.

This Total Foundation Aid amount is $1,871,994

2. **Calculate Total Categorical aid**

Total Categorical Aid is the sum of all aid received for:

Special Education	$ 365,331
Bilingual Education	61,515
At-Risk Aid	146,439
Total Categorical Aid	**$ 573,285**

3. **Calculate Total Other State Aid**

Total other state aid is the sum of the following types of aid:

Pension and Social Security Aid	1,000,000
Transportation Aid	355,280
Debt-Service	+ 20,250
Total Other State Aid	**$1,375,530**

4. **Calculate Total Transition Aid**

Total transition aid is the amount determined as described on page 24.

This Total Transition Aid amount is $1,073,380.

5. **Calculate Total State Aid**

Total State Aid is the sum of:

Total Foundation Aid	$ 1,871,994
Total Categorical Aid	573,285
Total Other State Aid	1,375,530
Total Transition Aid	1,073,380
Total State Aid	**$ 4,894,189**

APPENDIX B

SPECIAL NEEDS DISTRICTS

Special Needs Districts

Asbury Park	Neptune Township
Bridgeton	New Brunswick
Burlington City	Newark
Camden	Orange
East Orange	Passaic
Elizabeth	Paterson
Garfield	Pemberton Township
Gloucester City	Phillipsburg
Harrison	Perth Amboy
Hoboken	Plainfield
Irvington	Pleasantville
Jersey City	Trenton
Keansburg Borough	Union City
Long Branch	Vineland
Millville	West New York

APPENDIX C

SPECIAL EDUCATION CATEGORIES

Additional Special Education Categories	Cost Factors
Educable	0.60
Trainable	0.99
Orthopedically handicapped	1.70
Neurologically impaired	0.42
Perceptually impaired	0.12
Visually handicapped	2.79
Auditorily handicapped	1.63
Communication handicapped	0.84
Emotionally disturbed	1.09
Socially maladjusted	0.67
Chronically ill	2.23
Multiply handicapped	1.05
Resource room	0.45
Autistic	1.84
Preschool handicapped (half-day)	0.30
Preschool handicapped (full-day)	0.60
County special services school district	1.38
Regional day schools	1.38
County vocational school, special education services	0.59
Residential facility for the retarded	1.72
Day training center	2.37
Residential youth center	1.39
Training school or correctional facility	0.56
Child treatment center or psychiatric hospital	1.03
Supplementary and speech instruction	0.18
Home instruction	0.0025

APPENDIX D

STATE AID TOTALS FOR 1991-92

Foundation Aid	$ 2,070,792,000
Special Education	$ 528,982,000
Transportation Aid	$ 272,982,000
At-Risk Aid	$ 245,829,000
Bilingual Education	$ 52,688,000
Transition Aid	$ 115,362,000
Debt Service	$ 76,352,000
County Vocation Aid	$ 11,333,000
Local Area Vocational School District Aid	$ 767,000
Commissioner's Discretionary Aid	$ 25,000,000
TOTAL	**$ 4,291,714,000**

APPENDIX E

MAJOR IMPACT OF AMENDMENTS TO THE QEA

- Shifts $360 million from state education aid to provide municipal property tax relief
- Changes foundation amount from $6,835 to $6,640
- Changes facilities component from $110 to $107
- Shifts responsibility for employers' share of pension and social security obligations from districts back to state for 1991-92 and 1992-93.
- Imposes stricter budget caps ranging from 7.5 to 9 percent for non-special needs districts.
- Allows special needs districts more flexible caps to achieve spending parity by 1995-96.
- Revises cap waiver procedures to require voter approval of most cap waiver requests.
- Eliminates requirement that districts must spend up to local fair share amount to receive full foundation aid amount.
- Creates new categorical aid for county vocational school districts.
- Allows county vocational and special services school districts to receive all types of aid, except transportation aid. County vocational school districts will become eligible for transportation aid in 1992-93.
- Allows districts to receive at-risk aid or 1990-91 compensatory education aid amount, whichever is greater, in 1991-92 and 1992-93.
- Redefines excess surplus to be over 7.5 percent of net budget.
- Maintains $6,835 as foundation amount to calculate categorical aid.
- Adds $25 million in discretionary aid to ensure quality education.

GLOSSARY

Abbott v. Burke: Court case brought against the state by children in four urban school districts which charged that New Jersey's school funding formula did not provide children in poor urban school districts with the opportunity for a thorough and efficient education. In June 1990, the State Supreme Court upheld this challenge and ruled that additional funding must be provided to ensure spending parity between wealthy suburban districts and poor urban districts.

Adjusted resident enrollment: The number of pupils who on the last school day prior to October 16 of the prebudget year are residents of the district and are enrolled in: (1) the public schools of the district, except as a post-graduate or evening school pupil; (2) another school district (other than a county district) to which the district of residence pays tuition, or non-tuition children of employees attending district schools.

At-risk aid: State aid to meet the needs of students whose socioeconomic background may present special challenges. Eligibility is based on family income; students who qualify for free meals or free milk programs generate this aid.

Base foundation budget: Maximum foundation budget before the facilities amount is added, based on enrollment and the weighted foundation amounts.

Bilingual education aid: State aid to cover the excess costs of educating students with limited English proficiency.

Budget caps: The allowable percentage increase in a district's net budget based on the amount spent in the previous budget year, the growth in personal income (PCI) throughout the state, and the ratio of a district's local levy budget for the prebudget year to a district's maximum foundation budget for the budget year.

Capital outlay: Funds used for the acquisition, construction, reconstruction, remodeling, alteration, enlargement or major repair of buildings, major renewal of original furniture, equipment, and apparatus, and the acquisition or improvement of land.

Cap waiver: Permission to spend beyond the allowable increase in a district's net budget.

Categorical aid: State aid for funding programs not covered in the maximum foundation budget, including aid for special education, bilingual education, at-risk pupils, and county vocational programs.

County special services school districts: Seven county-based school districts which provide services to handicapped youngsters.

County vocational aid: State aid to cover the additional costs of educating students in county vocational education programs.

County vocational schools: 20 county-based schools which offer full- and shared-time vocational education.

Cost factors: Multipliers applied to the foundation amount to calculate aid which covers the additional cost of educating special education, bilingual education, county vocational program and at-risk students.

CPI: The average annual increase in the Consumer Price Index for all urban consumers in the New York City and Philadelphia areas during the three fiscal years preceding the prebudget year as reported by the United States Department of Labor.

Current expense: Costs for the daily operation of local school districts.

Debt service aid: State aid for the repayment of school bond principal and interest.

Equity spending cap: The allowable percentage increase in a special needs district's net budget, which assures that spending parity can be achieved with the state's high wealth districts.

Escrow: Additional state aid which may be placed in a special account for special needs districts only.

Excess surplus: Any surplus (also called free balance) which exceeds 7.5 percent of the district's net budget for the prebudget year after the deduction of surplus attributable to federal impact aid. If a district has an approved surplus reduction plan, excess surplus is any general fund free balance which exceeds the amount stipulated in the plan for that year.

Facilities component: A component of the maximum foundation budget which provides districts with $107 per student enrolled in the public schools for school facilities maintenance and capital outlay.

Foundation aid: State education aid to local districts based on the difference between a district's maximum foundation budget (adjusted to reflect pension and social security aid), its local fair share and excess surplus.

Foundation amount: The typical cost of educating one elementary school student as determined by the state. This amount is then weighted to account for the cost difference in each grade program or category when calculating the maximum foundation budget.

Foundation aid units: District resident enrollment, weighted by grade or program category.

Foundation weights: Multipliers applied to the basic foundation amount to calculate the varying costs of educating students in different grades and programs. Foundation weights are provided for half day kindergarten or preschool, grades K-5, 6-8, 9-12, county vocational schools, and adult high school programs.

Local fair share: The amount of money which a district can afford to raise through local taxes to fund its schools. This amount is determined by the state based on property values and aggregate income.

Local leeway: The option for a district to budget above or below its maximum foundation budget by taxing its citizens above or below its local fair share.

Maximum foundation budget: An appropriate overall spending level determined by the state for each district based on an amount of money per pupil.

Maximum foundation budget (adjusted): A district's maximum foundation budget reduced by the amount of state pension and social security aid paid on behalf of its resident students for 1991-92 and 1992-93.

Monitoring: State review of local school districts which is conducted periodically to ensure that districts are providing students with a thorough and efficient education. The monitoring process requires districts which do not meet state standards to develop plans to correct all deficiencies.

Net budget: The sum of foundation aid, categorical aid, transition aid, transportation aid, and current expense and capital outlay tax levies. (Balances appropriated is also included for 1990-91 only.)

Pension and social security aid: The amount of state aid a district receives to pay the employers' contribution to the Teachers Pension and Annuity Fund (TPAF) and social security taxes for TPAF members. The amount to be paid for pensions costs will be provided by the Division of Pensions and the amount for social security will be estimated by the Department of Education. This aid will be paid through 1992-93.

PCI: The average annual percentage increase in state per capita personal income over the four fiscal years preceding the prebudget year.

Resident enrollment: The number of pupils who on the last school day prior to October 16 of the prebudget year are residents of the district and are enrolled in (1) the public schools of the district; (2) another school of the district, including evening schools; (3) a state college demonstration school; (4) a private school to which the district of residence pays tuition; (5) a state facility; (6) a shared-time vocational school district and are regularly attending a school in the district and a county vocational school district; or (7) are receiving home instruction. Non-tuition children of employees attending district schools are also included in the resident enrollment.

Special education aid: State aid to cover the excess cost os educating students with handicaps.

Special needs districts: 30 urban school districts which:

(1) are urban and in the two lowest socio-economic groups (district factor groups A or B) under the Department of Education's District Classification System, or
(2) have a student population of 15 percent or more eligible for Aid to Families with Dependent Children and at least 1,000 such students enrolled in its schools.

A district with equalized property values which is twice the state average may not be considered a special needs district.

State-funded share: The ratio of foundation aid to the maximum foundation budget.

Transition aid: State funds to make up the difference between a district's 199O-91 base state aid amount, inflated by 6.5 percent, and its 1991-92 aid amount. Transition aid will be phased out over four years.

Transportation aid: State aid to cover the cost of transporting eligible public and nonpublic students to and from school. Eligible pupils are those students living a certain distance from school, special education students and nonpublic students attending nonprofit private schools within 20 miles of their homes.